

Fmm 16-IEP

22 March

ILLEGIB

Analysis of Trade Implications

- CEA analysis of general effects on U.S. trade/GNP of LDC debt.
- Analysis of U.S. trade flows with individual countries, by sector.

Trade Policy Problems

- LDCs will be changing their net trade position to adjust to debt problems, and will be introducing specific measures to encourage exports.
- Possibility of increased protectionism in the U.S. and other OECD countries in response to LDC trade measures.
- LDCs adjustment may involve moving further away from GATT rules; would represent setback to GATT attempts to encourage trade liberalization in those countries.
- Adjustment through increased exports will adversely affect U.S. industries, in particular import-competing industries. They can be expected to file antidumping, countervailing duty, escape clause and 301 cases in increasing number.

Policy Proposals to be Analyzed

- U.S. should propose at OECD Ministerial that the OECD countries commit publicly not to close their markets to LDC exports.
- USG should announce domestically its intention to resist protectionist pressures, while at the same time continuing to implement U.S. trade laws fairly and equitably.
- U.S. should decide whether to accord LDCs special treatment in the development of our trade policy; e.g., in GSP renewal.
- To encourage LDCs to avoid highly distortive trade practices, U.S. should encourage IMF to give more attention to trade practices in its lending programs and its Article IV consultations.
- USG should provide U.S. Executive Director more systematic and comprehensive comments on trade policy of countries consulting or negotiating with IMF.
- U.S. should warn IMF and others that certain LDC trade practices are particularly likely to generate U.S. unfair trade cases.
- U.S. should push LDCs to take more seriously their commitment to consult with GATT members when they apply trade restrictions for balance of payments reasons. U.S. should examine these practices more closely during BOP consultations.
- U.S. should encourage enhanced GATT/IMF cooperation, keeping cooperation at informal level for time being.
- U.S. should consider longer-term measures to keep markets open, such as a North-South round of trade negotiations, multilateral liberalization of investment practices.